

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2015/2016

BBF2044 – BANK MANAGEMENT

(All sections / Groups)

5 OCTOBER 2015

2.30 PM – 4.30 PM

(2 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of **3** pages with **5** Questions only.
2. Attempt **FOUR** out of **FIVE** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

Answer any FOUR (4) questions only (25 Marks each question).

QUESTION 1

- a. What are the primary objectives of Bank Negara Malaysia (BNM)? (10 marks)
- b. On 6th October 2015, Ammar bought a CD Player and paid the vendor- Mr. Arian with a written cheque of RM300 from his account at Bank X. The current balance of Bank X on 6th October 2015 is given below:

Bank X			
Asset		Liabilities	
Reserves	800	Checkable Deposits	800
Loans	0		

Then, on 7th October Mr. Arian deposits the cheque into his current account in Bank Y. Bank Y keeps 20% of deposits in its reserves and lends out the balance.

Based on the above situation, prepare a simple T-Account as at 7th October 2015 for Bank X and Y to show the effects of the above transactions.

(10 Marks)

- c. In order to succeed in today's global marketplace and win sales against foreign competitors, exporters must offer their customers attractive sales terms supported by the appropriate payment methods. List out five (5) primary methods of payment for international transactions.

(5 Marks)

(Total: 25 marks)

QUESTION 2

- a. What are the types of remittance facility offered by financial institutions to customers? Explain briefly and provide examples of this facility? (12 Marks)
- b. Discuss the factors to be taken into consideration for each of the SIX (6) critical components under the CAMELS rating framework. What is the indication if a bank has an overall composite rating of 5? (13 Marks)

(Total: 25 marks)

Continued...

QUESTION 3

- a. Generally, local commercial banks will tend to have more branches compared to foreign commercial banks. However, there are foreign commercial banks which show better performance than local banks. Does this mean that each branch is regarded as a profit or cost centre? Discuss the advantages of having branch banking.

(10 Marks)

b.

Bank S Balance Sheet (RM Million)			
Assets	RM	Liabilities and Net values	RM
Cash	80	Current deposits	100
Treasury bills	110	Savings deposits	140
Long term Investments	110	Fixed deposits	30
Loans and advances	140	Negotiable certificates of Deposits	120
		REPOS	30
		Equity	20
Total Assets	440	Total Liabilities and Equity	440

Bank H Balance Sheet (RM Million)			
Assets	RM	Liabilities and Net values	RM
Cash	60	Current deposits	200
Treasury bills	40	Savings deposits	60
Long term Investments	80	Fixed deposits	60
Loans and advances	260	Negotiable certificates of Deposits	70
		REPOS	10
		Equity	40
Total Assets	440	Total Liabilities and Equity	440

Based on the above balance sheets;

- Calculate capital to total assets ratio, capital to total deposits ratio and capital to total loans ratio for both Bank S and Bank H.
- Which bank has better capital adequacy level? Please explain why.

(15 Marks)

(Total: 25 marks)

QUESTION 4

Islamic banks apply their funds to raise profits through different means. A bank has the option to either deploy its own funds in a particular business or enter into a joint venture agreement with customers. Based on exchanged-based contracts used as financial instruments in Islamic finance, write short notes on the following contracts. Please provide diagram and at least one example for each.

Continued...

- a. Mudharabah Contract (8.5 Marks)
 b. Murabahah Contract (8.5 Marks)
 c. Ijarah Contract (8 Marks)
 (Total: 25 marks)

QUESTION 5

- a. Credit analysis process is based on the three principles in lending such as the principle of purpose, principle of payment and principle of protection. Explain briefly on how does a bank officer or credit officer evaluate loan applicant based on the five (5) elements for the purpose of credit analysis?
 (15 Marks)
- b. Given below are the financial statements of Syarikat Indah Berhad. Calculate:
 i) Return on Assets (ROA) Ratio
 ii) Return on Equity (ROE) Ratio

Syarikat Indah Berhad Balance Sheet as at 31 December 2009 RM (Million)		Syarikat Indah Berhad Income Statement for the Year Ending 31 December 2009 RM (Million) RM (Million)	
Current Assets:		Sales	160,000
Cash	500	Cost of goods sold	96,000
Accounts Receivable	16,000	Gross Margin	<u>64,000</u>
Inventories	<u>45,500</u>	Operating Expenses:	
Total Current Assets	<u>62,000</u>	Fixed cash expenditure	21,000
Fixed Assets:		Variable cash expenditure	16,000
Land	26,000	Depreciation	<u>10,000</u>
Building	100,000	Total operating expenses	<u>47,000</u>
Less Depreciation	<u>(38,000)</u>	Earning before interests and tax	17,000
Total Assets	<u>150,000</u>	Interest expense	<u>6,100</u>
Current Liabilities:		Earning before tax	10,900
Accounts Payable	22,000	Income tax	<u>5,450</u>
Bank Loans	<u>47,000</u>	Net Income	<u><u>5,450</u></u>
Total Current Liabilities	<u>69,000</u>		
Long-term Debt:	22,950		
Ordinary Shares	31,500		
Retained Earnings	<u>26,550</u>		
Total Liability and Equity	<u>150,000</u>		

(10 Marks)
 (Total: 25 marks)

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